



Missouri Department of Natural Resources

Water Protection Program
Financial Assistance Center

Drinking Water State Revolving Fund
Draft User Charge Ordinance

The Water Protection Program's Financial Assistance Center (FAC) has developed the following draft document for participants in the Drinking Water State Revolving Fund (DWSRF) loan program and other grant and loan programs administered by the FAC. This document may be used as a draft ordinance for cities or as a draft resolution for water districts. For the benefit of the user, the draft document is not protected and participants can modify it to fit their specific needs. This document provides the basic format and information needed for DWSRF projects. However, the actual format it is not a requirement of the DWSRF and the use of this document does not waive the review requirements for participating in the DWSRF.

As part of this document, participants will need to attach to this ordinance or resolution an appendix for the User Charge Budget and Rate Calculations (Appendix A), the Replacement Schedule (Appendix B) and the Annuity Calculations (Appendix C). To help with these Appendices, FAC has designed a DWSRF Rate Calculation Program that may be used to produce these appendices. This program is divided into four tabs titled Instruction, Budget and Rate Calculation, Replacement Schedule and Annuity Calculation). Once the Rate Calculation Program is completed, the tabs titled, "Budget and Rate Calculation", "Replacement Schedule" and "Annuity Calculation" can be printed for use as Appendices A, B and C, respectively.

The Rate Calculation Program can be viewed and downloaded at the following site:
www.dnr.mo.gov/env/wpp/srf/dwsrf-usc-methodology.xls

As mentioned above, this document can be used for cities or water districts. In an attempt to designate the appropriate document language, the suggested modifications related to city ordinances are highlighted in red and the modifications related to water districts have been highlighted in blue. Any other general instructions, suggests or modifications have been highlighted in magenta.

(Ordinance/Resolution) No.

An (ordinance/resolution) establishing a user charge system in the (City/District) of _____, County of _____, State of Missouri, to provide funds needed to pay for all expenses associated with the city's water system.

Whereas, the (City/District) of _____, Missouri has constructed a water system; and

Whereas, the (city/district) must pay all expenses associated with said water system and charge the users of said system accordingly;

NOW, THEREFORE, BE IT ORDAINED BY THE (Board of Aldermen/Board Members), of the (City/District) of _____, Missouri, that the following user charge system be established:

Article I

It is determined and declared to be necessary and conducive to the protection of the public health, safety, welfare, and convenience of the (city/district) to collect charges from all users who use the (city's/district's) water system. The proceeds of such charges so derived will be used for the purpose of operating, maintaining, and retiring the debt for such public water system.

Article II

Unless the context specifically indicates otherwise, the meaning of terms used in this ordinance shall be as follows:

Section 1: "Operation and Maintenance" shall mean all expenditures during the useful life of the system for materials, labor, utilities, and other items which are necessary for managing and maintaining the system to achieve the capacity and performance for which system was designed and constructed.

Section 2: "Replacement" shall mean expenditures for obtaining and installing equipment, accessories, or appurtenances which are necessary during the useful life of the system to maintain the capacity and performance for which such works were designed and constructed. The term "operation and maintenance" includes replacement.

Section 3: "Residential User" shall mean any user of the city's water system whose lot, parcel of real estate, or building is used for domestic dwelling purposes only.

Section 4: "Shall" is mandatory; "May" is permissive.

Section 5: "Water System" shall mean any devices and systems for the storage, treatment, recycling, transmission, and distribution of water. These include transmission and distribution lines, individual systems, pumping, power, and other equipment and their appurtenances; extensions, improvements, remodeling, additions, and alterations thereof; elements essential to provide a reliable water supply such as standby treatment units and any works, including site acquisition of land that will be part of the treatment process.

Section 6: "Winter average use" shall mean average of winter quarter (Dec., Jan., Feb).

Section 7: "Useful Life" shall mean the estimated period during which the treatment works will be operated.

Section 8: "User Charge" shall mean that portion of the total water service charge which is levied in a proportional and adequate manner for the cost of operation, maintenance, and replacement of the water system.

Section 9: "Water Meter" shall mean a water volume measuring and recording device, furnished and/or installed by the (City/District) of _____ or furnished and/or installed by a user and approved by the (City/District) of _____.

Article III

Section 1: The user charge system shall generate adequate annual revenues to pay the costs of annual operation and maintenance including replacement and cost associated with debt retirement of bonded capital associated with financing the water system which the (city/district) may by ordinance designate to be paid by the user charge system. That portion of the total user charge which is designated for operation and maintenance including replacement of the water system shall be established by this (ordinance/resolution).

Section 2: That portion of the total user charge collected which is designated for the operation and maintenance including replacement purposes as established in Article IV, shall be deposited in a separate non-lapsing fund known as the Operation, Maintenance and Replacement Fund and will be kept in two primary accounts as follows:

- a. a. The Operation and Maintenance Account shall be an account designated for the specific purpose of defraying operation and maintenance costs (excluding replacement) of the water system. Deposits in the Operation and Maintenance Account shall be made _____ (at least annually, specify) from the operation and maintenance revenue in the

amount of \$_____ annually.

- b. The Replacement Account shall be an account designated for the purpose of ensuring replacement needs over the useful life of the water system. Deposits in the Replacement Account shall be made _____ (at least annually, specify) from the replacement revenue in the amount of \$ (annually).

Section 3: Fiscal year-end balances in the Operation and Maintenance Account and the Replacement Account shall be carried over to the same accounts in each subsequent fiscal year, and shall be used for no other purposes than those designated for these accounts. Monies which have been transferred from other sources to meet temporary shortages in the Operation, Maintenance, and Replacement Fund shall be returned to their respective accounts upon appropriate adjustment of the user charge rates for operation, maintenance, and replacement. The user charge rate(s) shall be adjusted such that the transferred monies will be returned to their respective accounts within the fiscal year following the fiscal year in which the monies were borrowed.

Article IV

(Actual Use Rate Structure)

Section 1: Each user shall pay for the services provided by the city based on their use of the water system as determined by water meter(s) acceptable to the city.

Section 2: All monthly user charges will be based on monthly water usage.

Section 3: (Reference is made to Appendix A of this ordinance.)

The minimum charge per month shall be \$_____. In addition each user shall pay a user unit charge for operation and maintenance including replacement of \$_____ per 1000 gallons of water as determined in the preceding section.

Section 4: OPTIONAL: For those users which use water at greater than or equal to 50% above their winter average monthly use, a surcharge, in addition to the normal user charge will be collected. For those users provided with fire protection, a surcharge for water used will be collected. The surcharge for peak flow or fire protection that will recover the increased cost of operation and maintenance including replacement is:

\$_____ per 1000 gallons excess peak flow use

\$_____ per 1000 gallons fire protection

\$_____ per Other (Specify)

Section 5: The user charge rates established in this article apply to all users of the (city's/district's) system, regardless of the user's location.

Article V

(Note: Billing periods other than monthly are acceptable. Late payment criteria and penalties may be set as the recipient deems appropriate. Criteria set out below are for illustration purposes only.)

Section 1: All users shall be billed monthly. Billings for each month shall be made within thirty days after the end of that month. Payments are due when billings are made. Any payment not received within thirty days after the billing is made shall be delinquent.

Section 2: A late payment penalty of 10 percent of the user charge bill will be added to each delinquent bill for each thirty days of delinquency. When any bill is thirty days in default, water service to such premises shall be discontinued until such bill is paid following due notice and opportunity for hearing. Reconnection fees shall be paid by the customer.

Article VI

Section 1: The (city/district) shall review the user charge system annually and revise user charge rates as necessary to ensure that the system generates adequate revenues to pay the costs of operation and maintenance including replacement and that the system continues to provide for the proportional distribution of operation and maintenance including replacement costs among users and user classes.

Section 2: The (city/district) will notify each user at least annually, in conjunction with a regular bill, of the rate being charged for operation, and maintenance including replacement of the treatment works.

Article VII

This ordinance shall be in full force and effect from and after its passage and approval.

Passed and adopted by the (Board of Aldermen/Board Members) of the (City/District) of _____, State of Missouri on the ____ day of Month, Year, by the following vote:

Ayes _____ namely

Nayes _____ namely

Approved this _____ day of _____,

Signature

Name and title, typewritten or printed

Attest:

Signature

(Clerk, Secretary)

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Name and title, typewritten or printed